

# UPDATE 3-BlackBerry 1st-qtr breakeven tops expectations, shares climb

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(Adds executive comment from conference call, analyst comment)

TORONTO, June 23 (Reuters) - Smartphone pioneer BlackBerry Ltd broke even before charges and writedowns in the first quarter, topping expectations, and forecast a smaller-than-expected annual loss on Thursday.

Investors in its shares welcomed the more optimistic outlook and cost-cutting that has lifted margins, helping to send its stock up as much as 4.6 percent.

The Canadian company has shifted focus from its once-dominant smartphones to software that companies and governments need to manage their mobile devices.

"They have not put figures behind some of their forecasts in quite some time, and hopefully that speaks to improved visibility into the business," said Morningstar analyst Brian Colello.

BlackBerry said it expects an adjusted annual loss of around 15 cents per share, compared with the average analyst estimate of a loss of 33 cents for fiscal 2017.

Software and licensing revenue was \$166 million in the quarter ended May 31. The company had annual software revenue of \$527 million last fiscal year and is targeting 30 percent organic growth.

Chief Executive Officer John Chen said better deals with manufacturing partners struck in the quarter helped it to limit exposure to excess inventory and to better manage cash.

"We're at a point where our business is extremely efficient and we no longer really are making any hardware," Chen told analysts on a conference call. "We are really a hardware design house."

The company said it recognized revenue on some 500,000 handsets in the quarter at an average selling price around \$290. Chen said it plans to unveil two cheaper Android-based devices in July.

Morningstar's Colello said a better-selling smartphone could make the segment profitable.

Chen told investors that BlackBerry's top priority this year is making its devices business profitable. He had said a decision would be made by September on the unit's future.

Charter Equity Research analyst Edward Snyder said he does not expect BlackBerry to find any buyer for the handset business, and thinks it will eventually be wound down.

The company posted adjusted profit of \$14 million, or nil per share, on adjusted revenue of \$424 million. Analysts, on average, expected a loss of 8 cents a share on revenue of \$470.9 million, according to Thomson Reuters I/B/E/S.

It reported a net loss of \$670 million, or \$1.28 cents a share, compared with a profit of \$68 million, or 10 cents a share, a year ago.

BlackBerry said that reflected a \$501 million writedown on the value of the handsets business and other charges.

The stock rose as high as \$7.05, before easing to \$6.87, up 2 percent.

(With additional reporting by Matt Scuffham in Toronto; Editing by Jeffrey Benkoe)